

AR81



2005 Annual Report



HIGHVIEW
RESOURCES LTD.



CORPORATE Profile

Highview Resources Ltd. ("Highview") is a publicly traded junior energy company engaged in the exploration and development of crude oil and natural gas in Western Canada. Highview trades on the TSX Venture Exchange, symbol **HVW**.

CONTENTS

Highlights	1
Letter to Shareholders	2
Operations	4
Management's Discussion & Analysis	12
Management's Report	19
Auditors' Report	19
Consolidated Financial Statements	20
Notes to the Consolidated Financial Statements	23
Corporate Information	IBC

ANNUAL Meeting

Highview invites its shareholders and other interested parties to attend the Company's Annual General Meeting at 10:00 AM (MST), Wednesday, April 26, 2006 at the Calgary Petroleum Club, 319 – 5th Avenue SW, Calgary, Alberta.

Highlights

Years ended November 30

2005

2004

FINANCIAL

Total revenue

\$ 2,916,406 \$ 627,554

Cash flow (deficiency) from operations

\$ 1,093,067 \$ (156,061)

Per share

\$ 0.02 \$ (0.01)

Net income (loss)

\$ (49,903) \$ 46,546

Per share

\$ — \$ —

Capital expenditures

\$ 8,217,014 \$ 4,662,713

Working capital (deficiency)

\$ (1,577,605) \$ (801,314)

Total shares outstanding

65,918,393 42,458,333

OPERATIONS

Reserves (proved plus probable)

Natural gas (MMcf)

2,167 2,028

Crude oil (MBbl)

26 10

NGL (MBbl)

9 2

BOE (MBOE)

398 350

Production

Natural gas (Mcf/d)

959 256

Crude oil (Bbl/d)

4 3

NGL (Bbl/d)

2 —

BOE (BOE/d)

166 46

Product prices

Gas (\$/Mcf)

\$ 7.94 \$ 6.30

Oil (\$/Bbl)

\$ 40.92 \$ 31.50

NGL (\$/Bbl)

\$ 49.89 \$ 28.84

Land (undeveloped acres)

Gross

90,497 57,434

Net

20,103 8,080

At the outset of 2005, Highview had two corporate objectives firmly in mind. The first was to assemble an extensive portfolio of undeveloped acreage on which to develop drillable prospects and create a balance between exploration and development projects. The execution of this plan was to be conducted either by acquisition or farm-in. The second objective was to fund all of these activities with equity dollars as opposed to debt. During the year, Highview successfully acquired a large number of prospects and raised a significant amount of capital with which to develop them.

MATERIAL TRANSACTION

On February 4, Highview entered into an acquisition and farm-in agreement with Arctos Petroleum Corporation. The agreement allowed Highview to earn an interest in 75 sections of land, participate in the drilling of up to 6 wells and equip and tie-in 6 additional wells. There were 3 prospect areas involved in this transaction; Prairie River and Alexander in Alberta and Suffield in Saskatchewan. Work commenced on the first of the three projects at Alexander in May. Highview had agreed to complete tie-in and build a battery for a Wabamun oil well at Alexander that had tested 350 Bbl/d of oil. After the completion work, the well was put on-stream, however, at the end of one month of production, the well was producing fluid with a 95% water-cut which resulted in suspension of the well. The second area of priority was at Prairie River in northern Alberta. This area is a winter drilling area only and as a result there was no work planned for the spring and summer of 2005. The execution of the farm-out agreement at Suffield, Saskatchewan was delayed until December 2005, and thus it is referred to as a subsequent event in this report.

FINANCIAL

Oil and gas revenues rose 365% from \$627,000 in 2004 to \$2.9 million in 2005. Cash flow from operations grew 800% from a deficiency of \$156,000 in 2004 to positive cash flow of \$1.1 million in 2005. Net income in 2004 was \$46,000 but Highview recorded a net loss of \$50,000 in 2005.

Highview closed a \$2 million private placement of flow-through shares in December of 2004 and a \$5 million private placement of flow-through shares and common shares in April of 2005. The purpose of these financings was to fund the acquisition and farm-out transaction with Arctos and also to fund the drilling of wells on the Company's other internally generated prospects.

Capital expenditures for 2005 including the Arctos acquisition totaled \$8.2 million. The largest share of these expenditures went to the Arctos lands at Alexander including the Wabamun oil well. \$1.1 million was expended on the drilling of a deep test at Strachan.

OPERATIONS

In 2005, Highview participated in drilling of 7 exploratory wells (2.0 net wells) and 2 development wells (0.4 net wells) all of which were completed as gas wells but only one of which was tied-in during the year. Several of the wells including a well at Strachan have not been production tested and therefore do not have proved reserves attributed to them in Highview's year-end engineering report.

Production of natural gas rose 7% from 2.0 mmcf/d in 2004 to 2.2 mmcf/d in 2005. Crude oil in NGL production increased 102% from 12 bbl/d to 35 bbl/d. On a BOE basis production increased 261% from 46 boe/d in 2004 to 166 boe/d in 2005.

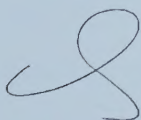
SUBSEQUENT EVENT

On December 15, Highview finally executed the last farm-out agreement with Arctos on the Suffield property in Saskatchewan, nine months after the signing of the term sheet. Additionally, on December 22, 2004, Highview closed a \$3.2 million private placement consisting of \$2.2 million of flow-through shares and \$1.0 million of common shares.

OUTLOOK

Despite Highview's poorer than anticipated exploration record during 2005, the Company entered 2006 with working capital, cash flow and an inventory of exploration and development projects which should allow for steady growth throughout the year. The Company plans to focus initially on its oil prone acreage at Suffield, Saskatchewan and anticipates, with early success, this area becoming a key component in the Company's growth.

On behalf of the Board of Directors



John H. Cassels
President and CEO

March 17, 2006



Robert W. Lamond
Chairman



Highview assembled a significant prospect inventory in 2005 through acquisition and farm-in. The Company added 45,500 gross acres (15,081 net acres) of undeveloped land during the year, most of which is concentrated in three core areas with an average working interest of 30%. In addition to the three core areas, the Company has developed prospects in five other locations in Alberta and Saskatchewan.

LAND

Acres	Undeveloped		Developed		Total	
	Gross	Net	Gross	Net	Gross	Net
As at November 30, 2004	57,434	8,080	15,253	3,125	72,687	11,205
Additions	45,500	15,081	3,040	963	48,540	16,044
Expiries	(12,437)	(3,058)	(7,495)	(817)	(19,932)	(3,875)
As at November 30, 2005	90,497	20,103	10,798	3,271	101,295	23,374

A comprehensive geological and geophysical evaluation of the prospects was undertaken during the year. Highview drilled nine wells during 2005, seven exploratory and two development. Only one of these wells is currently on-stream while four are awaiting completion and tie-in and four are still being tested and evaluated.

DRILLING SUMMARY

	Exploration Wells		Development Wells	
	Gross	Net	Gross	Net
Gas	7	2.0	2	0.4
Oil	—	—	—	—
Dry holes	—	—	—	—
	7	2.0	2	0.4

Exploration and development expenses for 2005 including the acquisition of several prospects totaled \$7.9 million. Land and acquisition expenditures were \$2.8 million including \$1.3 million for a working interest in four sections and a standing oil well at 6-7 in Alexander. Highview then built a battery and tied-in the well in August. When on production, the well experienced a much higher than expected water-cut and as a result, after 30 days of production, the well was shut-in. \$3 million was spent on the drilling of wells. The Strachan 1-11 well was drilled during a very wet period that caused adverse wellsite conditions. This condition resulted in the total expenditures to move significantly past the original AFE cost on the well. To date the well has not yet been fully evaluated.

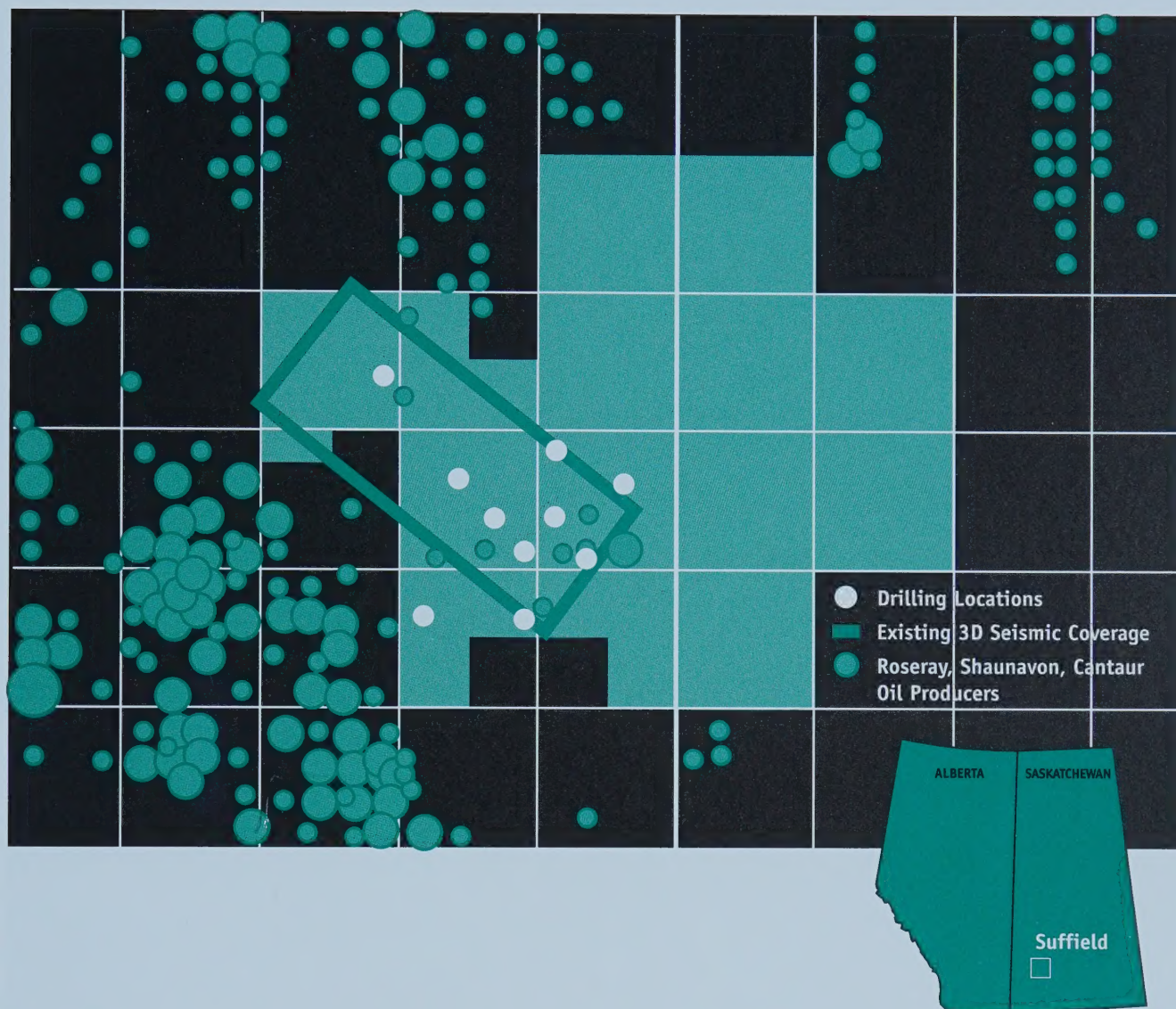
EXPLORATION & DEVELOPMENT EXPENSES

	Alexander – Newton	Prairie River	Strachan	Other Prospects
Land	\$ 997,820	\$ 1,511,904	\$ 105,350	\$ 93,646
Seismic	457,022	138,238	76,362	204,912
Drilling	473,049	541,234	1,142,244	875,413
Equipment & facilities	1,088,485	—	31,182	119,424
	\$ 3,016,376	\$ 2,191,376	\$ 1,355,138	\$ 1,293,395

At Newton, Highview has a 20% WI in 8 sections. The Company participated in the drilling of 2 wells in 2005, both of which experienced high volumes of water when placed on production. Apparently, the fracture stimulation procedure conducted by the operator caused communication between a zone filled with water and the gas filled target zone. Both of these wells will have to be re-drilled at new locations in order to access the gas reserves. There are currently 4 wells producing 750 mcf/d net to Highview.

At Alexander, Highview has acquired or farmed in on 25 sections with a average working interest of 22%. Production is currently 175 mcf/d net to Highview. The Company has shot a 3D seismic survey over 4 sections and shot a number of 2D lines over other lands. In 2006, Highview intends to drill 4 wells either before or after breakup and there are a number of follow-up locations all of which have been the subject of extensive geological and geophysical review.





Suffield

On December 15, 2005, Highview executed a farm-in agreement on 13 sections of land at Suffield, Saskatchewan. The property has 3 oil pools in it that are capable of production from the Rosearay, Upper Shaunavon and Cantaur zones. The Company has undertaken a comprehensive geological review of the lands with the aid of a 3D seismic survey which covers almost 4 sections and 10 2D lines of trade data that have been reprocessed. Highview has licensed 8 wells to be drilled on expiring lands before or after break up in 2006.

Strachan

In 2005, Highview farmed in on 2 sections at Strachan with a drilling option on a third. The Company gained access to a 3D seismic survey and drilled a 3,000 metre test with a 23% WI. The well was cased with potentially productive zones in the Rock Creek, Ellerslie and Cardium. Subsequently, Highview farmed in on an additional 1.5 sections and purchased a section at a land sale. Geological and geophysical work has identified 3 new locations to drill. It is likely that only one will be drilled in 2006 because of the significant cost of each well.





PRAIRIE River

At Prairie River in northern Alberta, Highview has 5 active prospects on 72 sections of land with an average WI of 29%. During 2005, all of the lands were subjected to extensive geological and geophysical evaluation. This area is a “winter only” operation zone.

At Snipe Lake, a well was drilled at 1-35-69-17W5M. The well was cased but the operator could not fracture stimulate the target zone before break-up. In January 2006, Highview drilled a well at 11-23-70-17W5M which was cased as a potential Belly River gas well.

At Wallace, Highview and our partners purchased 19 sections at 3 land sales in 2005 to augment the 3 sections of farm-in acreage. Highview has an average 25% WI in 22 sections and participated in the drilling of a well at 16-31-69-13W5M in January of 2006.

At Goose River, Highview acquired a 26% WI in a well at 6-3-69-17W5M which the operator plans to production test this winter.

At Prairie River, Highview has a 32% WI in 16 sections of undeveloped land which is being evaluated by Highview’s technical staff.

At Prairie River South, Highview acquired a 27% WI in a well at 15-16-69-16W5M. A bottom hole recompletion was performed to separate water from the productive zone but the equipment failed and as a result of the mild weather a crew has been unable to access the location to repair it.

PRESENT VALUE OF RESERVES Total Reserves Forecast of November 30, 2005, based on September 30, 2005 Price Forecasts

Reserves Category	Oil		Gas		NGL		Present Value Cash Flow			
	Gross (MStb)	Net (MStb)	Gross (MMcf)	Net (MMcf)	Gross (MStb)	Net (MStb)	0% (M\$)	5% (M\$)	10% (M\$)	15% (M\$)
Proved developed producing	3	2	1,203	936	1	1	8,850	7,486	6,568	5,904
Proved developed non-producing	7	6	120	97	0	0	1,154	860	691	586
Proved undeveloped	0	0	278	212	5	2	1,759	1,378	1,115	926
Total proved	10	8	1,601	1,245	6	3	11,762	9,723	8,374	7,415
Probable additional	16	14	566	442	3	2	4,932	3,541	2,747	2,246
Total proved + probable	26	22	2,167	1,687	9	5	16,694	13,264	11,121	9,662

SUMMARY OF CRUDE OIL PRICE FORECASTS (September 30, 2005)

Year	Inflation Rate	Exchange Rate	WTI at Cushing Oklahoma \$/bbl U.S. Current	Edmonton City Gate \$/bbl Cdn. Current	Heavy Oil 12 Deg. API Hardisty \$/bbl Current
2006	0.0%	0.82	\$65.00	\$78.40	\$53.40
2007	2.0%	0.82	\$64.25	\$77.50	\$52.50
2008	2.0%	0.82	\$62.45	\$75.30	\$50.30
2009	2.0%	0.82	\$61.55	\$74.20	\$49.20
2010	2.0%	0.82	\$59.55	\$71.80	\$46.80
2011	2.0%	0.82	\$55.25	\$66.50	\$41.50
2012	2.0%	0.82	\$56.35	\$67.85	\$42.85
2013	2.0%	0.82	\$57.45	\$69.20	\$44.20
2014	2.0%	0.82	\$58.60	\$70.60	\$45.60
2015	2.0%	0.82	\$59.80	\$72.05	\$47.05

SUMMARY OF NATURAL GAS PRICE FORECASTS (September 30, 2005)

Year	APMC Average Price \$/Mcf Current	AECO Average Price \$/Mcf Current	Alberta Direct Spot Sales \$/Mcf Current	NYMEX US\$/Mcf Current
2006	\$10.75	\$11.00	\$10.80	\$10.00
2007	\$9.75	\$10.00	\$9.80	\$9.20
2008	\$8.65	\$8.90	\$8.70	\$8.30
2009	\$8.95	\$9.20	\$9.00	\$8.50
2010	\$9.10	\$9.35	\$9.15	\$8.65
2011	\$9.35	\$9.60	\$9.40	\$8.85
2012	\$9.55	\$9.80	\$9.60	\$9.00
2013	\$9.75	\$10.00	\$9.80	\$9.20
2014	\$9.95	\$10.20	\$10.00	\$9.35
2015	\$10.20	\$10.45	\$10.25	\$9.55

RECONCILIATION OF CHANGES IN RESERVES

Natural Gas (MMcf)	Proved	Probable	Total
November 30, 2004	1,752	276	2,028
Additions	466	192	658
Acquisitions	—	36	36
Production	(350)	—	(350)
Revisions	(267)	62	(205)
November 30, 2005	1,601	566	2,167
Oil (MBbl)			
November 30, 2004	2	8	10
Additions	8	12	20
Production	(1)	—	(1)
Revisions	2	(5)	(3)
November 30, 2005	11	15	26
NGL (MBbl)			
November 30, 2004	2	—	2
Additions	5	3	8
Acquisitions	(1)	—	—
Production	—	—	(1)
Revisions	2	—	—
November 30, 2005	6	3	9
BOE @ 6:1 (MBOE)			
November 30, 2004	298	52	350
Additions	90	47	137
Acquisitions (net)	—	6	6
Production	(61)	—	(61)
Revisions	(41)	7	(34)
November 30, 2005	286	112	398

Reserve estimates have been calculated in compliance with the National Instrument 51-101 Standards of Disclosure ("NI 51-101"). Under NI 51-101, proved reserves are defined as reserves that can be estimated with a high degree of certainty to be recoverable with a target of a 90 percent probability that the actual reserves recovered over time will equal or exceed proved reserve estimates, while probable reserves are defined as having an equal (50 percent) probability that the actual reserves recovered will equal or exceed the proved plus probable reserve estimates. In accordance with NI 51-101, proved undeveloped reserves have been recognized in cases where plans are in place to bring the reserves on production within a short, well defined time frame. Proved undeveloped reserves often involve infill drilling into existing pools. All of the Company's reserves were evaluated by independent third party engineers.

Management's Discussion and Analysis

Prepared as at March 14, 2006

INTRODUCTION

The following discussion and analysis is management's assessment of Highview's historical, financial and operating results. This review should also be read in conjunction with the audited consolidated financial statements of the Company for the year ended November 30, 2005 along with the Company's Annual Information Form available through SEDAR at www.sedar.com.

This discussion contains forward-looking statements that are based on assumptions and involve risk and uncertainties, some of which are beyond Highview's control. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated in the statements made. The reader is cautioned that historical results are not necessarily indicative of future performance.

BASIS OF PRESENTATION

The financial data contained herein have been prepared in accordance with Canadian accepted accounting principles ("GAAP"). Cash flow from operations, which is determined before changes in non-cash working capital, is used in the oil and gas industry as a key measure of performance. Cash flow from operations as used by Highview, does not have a standardized meaning prescribed by Canadian GAAP and, therefore, may not be comparable with the calculation of similar measures used by other companies. Cash flow from operations is not intended to represent operating profits nor is it viewed as an alternative to other measures of financial performance calculated in accordance with GAAP. The Company calculated cash flow from operations per share using the same method and shares outstanding which are used in the determination of net loss per share.

All dollar amounts are in Canadian dollars unless otherwise indicated.

NON-GAAP FINANCIAL MEASURES

The Management's Discussion and Analysis contains the term cash flow from operations, which should not be considered an alternative to, or more meaningful as an indicator of the Company's performance than, cash flow from operating activities, as determined in accordance with accounting principles generally accepted in Canada. Highview's determination of cash flow from operations may not be particularly comparable to that reported by other companies especially those in other industries. The reconciliation between net earnings and cash flow from operations can be found in the consolidated statement of cash flows in the audited consolidated financial statements.

BOE PRESENTATION

The term barrel of oil equivalent (BOE) may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf : 1 Bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in this report are derived by converting gas to oil in the ratio of 6 Mcf of gas to 1 Bbl of oil.

PRODUCTION AND PRICES

2005	Q1	Q2	Q3	Q4	TOTAL
Gas (Mcf)	102,705	87,433	93,845	65,978	349,961
Per day	1,141	950	1,020	725	959
Average price	\$ 6.34	\$ 7.52	\$ 8.38	\$ 10.99	\$ 7.94
Oil (Bbl)	188	245	427	665	1,525
Per day	2	3	5	7	4
Average price	\$ 19.85	\$ 20.99	\$ 60.07	\$ 41.48	\$ 40.92
NGL (Bbl)	273	169	239	161	842
Per day	3	2	3	2	2
Average price	\$ 51.97	\$ 28.71	\$ 53.98	\$ 62.54	\$ 49.89
BOE@6:1	17,579	14,986	16,307	11,822	60,694
Per day	195	165	177	130	166

2004	Q1	Q2	Q3	Q4	TOTAL
Gas (Mcf)	29,816	19,091	12,670	32,007	93,584
Per day	331	208	138	352	256
Average price	\$ 6.25	\$ 6.53	\$ 6.60	\$ 6.08	\$ 6.30
Oil (Bbl)	308	203	255	271	1,037
Per day	3	2	3	3	3
Average price	\$ 31.67	\$ 26.15	\$ 37.39	\$ 29.79	\$ 31.50
NGL (Bbl)	—	—	17	39	56
Per day	—	—	—	—	—
Average price	\$ —	\$ —	\$ 16.24	\$ 34.33	\$ 28.84
BOE@6:1	5,277	3,385	2,384	5,645	16,691
Per day	59	37	26	62	46

Highview's working interest gas sales volumes for the year ended of 2005 averaged 959 Mcfd compared to 256 Mcfd for the same period in 2004. This 275% increase in gas production is due to the Company receiving a full year of production from the Alexander and Newton properties. Company oil and NGL sales volumes, although minimal, rose from 3 Bbl/d in 2004 to 6 Bbl/d in 2005. Highview experienced restricted gas production in Q4 2005 compared to Q3 2005 as a direct result of third party processing limitations. This was rectified in Q1 2006.

Natural gas prices remained strong averaging \$ 7.94 per Mcf for the year ended of 2005 compared to an average of \$6.30 in 2004. Oil prices averaged \$40.92 for the year ended of 2005, up from the \$31.50 in 2004. The price of heavy gravity crude that Highview produces at Lloydminster was offset by the price of conventional crude oil in the Alexander area.

NET OPERATING INCOME (NON GAAP PRESENTATION)

2005	Q1	Q2	Q3	Q4	TOTAL
Sales	\$ 671,413	\$ 651,511	\$ 822,697	\$ 770,785	\$ 2,916,406
Royalties	152,888	119,007	144,482	128,280	544,657
Operating expenses	178,045	146,609	239,943	115,766	680,363
	\$ 340,480	\$ 385,895	\$ 438,272	\$ 526,739	\$ 1,691,386
BOE production	17,579	14,986	16,307	11,822	60,694
Net operating income/BOE					
Sales	\$ 38.19	\$ 43.47	\$ 50.45	\$ 65.20	\$ 48.05
Royalties	8.70	7.94	8.86	10.85	8.97
Operating expenses	10.13	9.78	14.71	9.79	11.21
	\$ 19.36	\$ 25.75	\$ 26.88	\$ 44.56	\$ 27.87
2004	Q1	Q2	Q3	Q4	TOTAL
Sales	\$ 202,708	\$ 127,395	\$ 101,074	\$ 196,377	\$ 627,554
Royalties	14,297	37,108	15,121	33,207	99,733
Operating expenses	61,418	35,824	39,358	84,052	220,652
	\$ 126,993	\$ 54,463	\$ 46,595	\$ 79,118	\$ 307,169
BOE production	5,277	3,385	2,384	5,645	16,691
Net operating income/BOE					
Sales	\$ 38.41	\$ 37.64	\$ 42.40	\$ 34.79	\$ 37.60
Royalties	2.71	10.96	6.34	5.88	5.98
Operating expenses	11.64	10.58	16.51	14.89	13.22
	\$ 24.06	\$ 16.10	\$ 19.55	\$ 14.02	\$ 18.40

Revenue for the year ended of 2005 is 365 % higher than this period in 2004. This variance is principally due to a full year of revenue from the Alexander and Newton properties in 2005. Royalty rates increased in 2005 to 19% compared to 16% for the same period in 2004. This increase reflects the full royalty burden on the Alexander and Newton production. In the year ended for 2005, ARTC claims were up to \$135,836 compared to \$11,873 for 2004 reflecting the increased crown royalties paid on the Alexander and Newton production. Operating expense were lower through the year ended of 2005 compared to the same period in 2004 on a BOE basis and as a percentage of revenues due to the increased production efficiencies related to the Alexander and Newton wells. Operating expense as a percentage of revenue was 23% in 2005 and 35% in 2004. Included in the \$680,363 of operating costs is \$276,096 for Highview's 2005 workover and recompletion programs.

GENERAL AND ADMINISTRATIVE EXPENSE

	2005	2004
G&A expenses	\$ 941,370	\$ 443,670
Less capitalized overhead	360,729	—
	\$ 580,641	\$ 443,670
per BOE	\$ 9.57	\$ 26.58

At November 30, 2005, Highview had 6 employees (2004 – 3) and 5 part-time consultants, this together with the significant increase in the level of activity has resulted in a large amount of growth in G&A expense during the year ended of 2005 compared to the same period in 2004. On a BOE basis, G&A expenses were reduced from \$26.58 per BOE for the year ended of 2004 to \$9.57 per BOE in 2005. This downward trend is expected to continue.

DEPLETION, DEPRECIATION AND ACCRETION EXPENSE

	2005	2004
Depletion expense	\$ 1,216,583	\$ 236,913
Depreciation expense	20,150	6,504
Accretion – Asset retirement obligation	23,962	4,181
Total	\$ 1,260,695	\$ 247,598
Depletion per BOE	\$ 20.04	\$ 14.19

Depletion expense has increased to \$20.04 per BOE for the year ended of 2005 compared to \$14.19 per BOE for the same period in 2004. The current depletion rates are reflective of the remaining proved reserves.

INTEREST EXPENSE

	2005	2004
Bank loan and note payable	\$ 17,678	\$ 19,560
per BOE	\$ 0.29	\$ 1.17

Interest expense of \$17,678 for the year ended of 2005 (2004 – \$19,560) relates to the note payable to Humboldt Capital Corporation and the ATB Financial loan facility. On March 3, 2005, Humboldt advanced Highview \$1.0 million and the advance was repaid on April 18, 2005. The note balance as of November 30, 2005 was nil (2004 – \$350,000). The ATB Financial loan facility drawdown was \$915,983 at November 30, 2005.

CAPITAL EXPENDITURES

	2005	2004
Land	\$ 668,725	\$ 183,258
Geological & geophysical	1,237,263	212,466
Drilling & completions	2,442,115	599,715
Equipment, facilities & pipelines	982,174	132,443
Office & computer equipment	74,737	20,831
Sub-total	5,405,014	1,148,713
Acquisitions	2,812,000	3,514,000
Total	\$ 8,217,014	\$ 4,662,713

Fixed asset expenditures during the year totaled \$8,217,014 inclusive of the \$2,812,000 payment to Arctos for the property acquisitions.

NET ASSET VALUE

Reserves (10% NPV, before income taxes) as at November 30,	2005	2004
Proved	\$ 8,374,000	\$ 5,013,000
Probable	2,747,000	592,000
	11,121,000	5,605,000
Undeveloped land (20,103 acres@\$150/acre)	3,015,450	808,000
Proprietary seismic data	411,604	—
Working capital (deficiency)	(1,577,605)	(801,314)
Net asset value	\$ 12,970,449	\$ 5,611,686
Net asset value per share	\$ 0.20	\$ 0.13

TAX POOLS

	2005	2004
Canadian exploration expense	\$ 899,972	\$ 899,972
Canadian development expense	409,458	292,710
Undepreciated capital cost	1,954,357	1,087,603
Canadian oil & gas property expense	4,757,916	2,931,217
Loss carry-forward (expiry from 2004 to 2006)	565,486	264,309
	\$ 8,587,189	\$ 5,475,811

At November 30, 2005, Highview had income tax pools of almost \$9.0 million, which will enable the Company to shelter increases in taxable income without becoming immediately cash taxable. As at year-end 2005, tax pools exceed the net book value of property, plant and equipment. Highview has recognized this future tax asset. The Company does anticipate that this future tax asset will be recovered from taxable income generated from currently held assets. Future asset dispositions can have an impact on the tax pool base depending on the value received for the asset and its booked value.

LIQUIDITY AND CAPITAL RESOURCES

At November 30, 2005, Highview had a working capital deficiency of \$1,577,605 compared to a deficiency of \$801,314 as of November 30, 2004. A \$350,000 note payable to its major shareholder, Humboldt Capital Corporation was retired on December 17, 2004. On December 16, 2004 the Company closed a \$2.0 million private placement of flow-through common shares. On April 18, 2005 the Company closed a \$5.0 million private placement.

The Company has a \$2,000,000 revolving production loan facility with ATB Financial. Interest is payable monthly for borrowings through direct advances at a rate 1% above prime. The loan was originally for \$1,650,000, however, after a Q4 2005 review by ATB Financial the facility was increased to \$2,000,000. Under this loan facility, letters of credit of up to \$140,000 for terms up to 1 year are available. The loan is subject to an annual review.

RELATED PARTY TRANSACTION

During the past four years, the Company has participated in a joint exploration, development and land acquisition program with Diaz Resources Ltd.. Humboldt Capital Corporation ("Humboldt") is a significant shareholder of Diaz. Humboldt also holds 19% of the outstanding common shares of Highview. During the year ended of fiscal 2005, \$154,000 of total capital expenditures was expended through this joint venture and \$395,000 in 2004.

BUSINESS RISK

The Company is engaged in the exploration and development of crude oil and natural gas. Highview's business is inherently risky and there is no assurance that hydrocarbon reserves will be discovered and economically produced.

Financial risks associated with the petroleum industry include fluctuation in commodity prices, interest rates and currency exchange rates. Other financial risks include, but are not limited to, the availability of funds through equity markets and/or debt to invest in capital projects to support Company growth.

Operational risks include competitive environmental factors, reservoir performance uncertainties and dependence upon third parties for commodity transportation and processing and a complex regulatory environment.

The Company closely follows the applicable government regulations. Highview carries insurance coverage to protect itself against those potential losses that could be economically insured against.

SHARE CAPITAL

The Company has authorized an unlimited number of voting common shares. As of March 14, 2006 there were outstanding:

65,918,393 shares	\$11,601,690
-------------------	--------------

WARRANTS

The Company issued 2,000,000 warrants on October 29, 2004. These warrants entitled the holder to acquire one common share at a price of \$0.25 per share. The warrants expired on December 1, 2005.

SUPPLEMENTAL QUARTERLY INFORMATION

The following table summarizes key financial and operating information for the past eight quarters:

(\$ Thousands)	2005				2004			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenues, net of royalties (\$)	644	683	533	519	163	86	90	188
Cash flow from operations (\$)	620	250	100	123	(67)	(58)	(55)	32
Per share – Basic (\$/share)	0.02	0.00	0.00	0.00	(0.00)	(0.00)	(0.00)	0.00
Net earnings (loss) (\$)	126	87	(257)	(6)	162	(81)	16	(50)
Per share – Basic (\$/share)	0.00	(0.00)	(0.00)	(0.00)	0.00	(0.01)	0.00	(0.00)
Total assets (\$)	15,537	14,615	12,456	8,110	5,805	901	953	1,355
Working capital (deficiency) (\$)	(1,578)	(211)	727	766	(801)	(97)	13	(372)
Production (BOE/d)	130	177	165	195	62	26	37	59
Sales price (\$/BOE)	65.20	50.45	42.84	42.84	34.79	42.40	37.64	38.41
Operating netback (\$/BOE)	44.55	26.88	25.38	19.18	19.54	19.69	16.10	24.07
Common shares								
Outstanding	65,918	65,899	65,899	49,125	42,458	15,792	15,792	15,792
Diluted	65,958	67,899	65,899	49,125	42,458	15,792	15,792	15,792

OUTLOOK

Highview believes that oil and gas commodity prices will remain strong throughout 2006. World oil supply concerns and increased world demand strengthened oil prices through 2005 with little change anticipated in the near term. The resurgence of the North American economy combined with continued increasing gas demand from declining established reserves indicates continued support of higher gas prices. This positive price environment should continue equity support for the oil and gas industry and benefit an emerging company such as Highview Resources Ltd.

SUBSEQUENT EVENTS

On December 15, 2005, Highview executed a farm-in agreement on 13 sections of land at Suffield, Sask. The Company acquired and reprocessed 10 lines of 2D seismic data and is currently licensing 8 wells to drill in 2006.

On December 22, 2005, Highview closed a private placement of flow-through shares and units. Net proceeds of the issue were \$2.9 million.

Management's REPORT

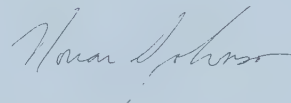
The accompanying consolidated financial statements of Highview Resources Ltd. and all the information in this annual report are the responsibility of management and have been approved by the Highview Board of Directors. Management has prepared the consolidated financial statements in accordance with Canadian accepted accounting principles and where alternative accounting methods exist, management has chosen those it deems most appropriate.

Financial statements are not precise since they include amounts based on estimates and judgments. Such amounts have been determined on a reasonable basis to ensure the financial statements are presented fairly in all material aspects. Management has prepared the financial information in this annual report and has ensured it is consistent with the financial statements. The Company maintains internal accounting and administrative controls designed to provide reasonable assurance that the consolidated financial information is relevant, reliable and accurate and that the Company's assets are appropriately accounted for and adequately safeguarded.

The Highview Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and for reviewing and approving the consolidated financial statements. This is carried out principally through the Audit Committee. Highview's auditors, PricewaterhouseCoopers LLP, have been given full access to the Audit Committee.



John H. Cassels
President and Chief Executive Officer



Norman S. Johnson
Chief Financial Officer

Auditors' REPORT

To the Shareholders of Highview Resources Ltd.

We have audited the consolidated balance sheets of Highview Resources Ltd. as at November 30, 2005 and 2004 and the consolidated statements of operations and deficit and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2005 and 2004 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants

Calgary, Alberta
March 8, 2006

CONSOLIDATED Balance Sheet

As at November 30

2005

2004

Assets

Current assets

Cash	\$ —	\$ 23,049
Accounts receivable	2,446,887	275,347

	2,446,887	298,396
--	-----------	---------

Property, plant and equipment (Note 2)

	12,605,757	5,506,534
--	------------	-----------

Future tax asset (Note 5)

	484,460	—
--	---------	---

Total assets

	\$ 15,537,104	\$ 5,804,930
--	---------------	--------------

Liabilities

Current liabilities

Bank loan (Note 4)	\$ 915,983	\$ —
Accounts payable and accrued liabilities	3,108,509	749,710
Note payable (Note 7)	—	350,000

	4,024,492	1,099,710
--	-----------	-----------

Asset retirement obligation (Note 6)

	366,314	288,152
--	---------	---------

	4,390,806	1,387,862
--	-----------	-----------

Shareholders' Equity

Share capital (Note 3)	11,582,691	4,971,556
Contributed surplus	232,017	64,019
Deficit	(668,410)	(618,507)

	11,146,298	4,417,068
--	------------	-----------

Total liabilities and shareholders' equity

	\$ 15,537,104	\$ 5,804,930
--	---------------	--------------

See accompanying Notes to Consolidated Financial Statements

On behalf of the Board:



John H. Cassels
Director



Charles A. Teare
Director

CONSOLIDATED STATEMENT OF Operations & Deficit

Year ended November 30

2005

2004

Revenue

Oil and natural gas sales

\$ 2,916,406 \$ 627,554

Royalties, net of Alberta Royalty Tax Credit

(544,657) (99,733)

2,371,749 527,821

Gain on sale of properties

— 377,747

2,371,749 905,568

Expense

Operating

680,363 220,652

General and administrative

580,641 443,670

Stock-based compensation

167,998 27,942

Interest

17,678 19,560

Depletion, depreciation and accretion

1,260,695 247,598

2,707,375 959,422

Loss before income tax recovery

(335,626) (53,854)

Current income tax expense

20,369 11,230

Future income tax recovery

(306,092) (111,630)

Total income tax recovery (Note 5)

(285,723) (100,400)

Net income (loss) for the year

(49,903) 46,546

Deficit – Beginning of the year

(618,507) (628,976)

Adjustment for adoption of stock-based compensation (Note 3)

— (36,077)

Deficit – End of year

\$ (668,410) \$ (618,507)

Net income (loss) per share, basic and diluted

\$ — \$ —

See accompanying Notes to Consolidated Financial Statements

CONSOLIDATED STATEMENT OF Cash Flows

Year ended November 30

2005

2004

Cash provided by (used for):

Operating activities

Net income (loss)	\$ (49,903)	\$ 46,546
Non-cash items:		
Depreciation, depletion and accretion	1,260,695	247,598
Stock-based compensation	167,998	27,942
Income tax recovery	(285,723)	(100,400)
Gain on sale of properties	—	(377,747)
Cash flow from operations	1,093,067	(156,061)
Abandonment expenditures	(64,742)	—
Change in non-cash working capital	187,259	465,277
	1,215,584	309,216

Financing Activities

Issuance of common shares	6,412,398	3,873,017
Bank loan	915,983	—
Notes payable to Shareholder	(350,000)	(115,826)
	6,978,381	3,757,191

Investing Activities

Acquisition of property, plant and equipment	(8,217,014)	(4,662,713)
Disposition of property, plant and equipment	—	581,630
Change in non-cash working capital	—	(13,249)
	(8,217,014)	(4,094,332)
Decrease in cash	(23,049)	(27,925)
Cash, beginning of the year	23,049	50,974
Cash, end of year	\$ —	\$ 23,049
Supplementary information regarding cash payments:		
Interest paid	\$ 17,678	\$ 10,655

See accompanying Notes to Consolidated Financial Statements

Notes to the Consolidated Financial Statements

For the years ended November 30, 2005 and 2004.

The consolidated financial statements of Highview Resources Ltd. ("Company") and its wholly owned subsidiary, Royal Crusader Energy Corp. ("Royal Crusader") have been prepared by management in accordance with accounting principles generally accepted in Canada.

1. ACCOUNTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Royal Crusader Energy Corp. ("Royal Crusader").

Property, plant and equipment

The Company follows the full cost method of accounting for petroleum and natural gas operations. Under this method, all costs of exploration for and development of petroleum and natural gas reserves are capitalized by cost centre. Costs include lease acquisition costs, geological and geophysical expense, carrying charges on non-producing properties, costs of drilling both productive and non-productive wells and other direct charges related to exploration activities.

The capitalized costs are depleted and depreciated using the unit-of-production method based on proven petroleum and natural gas reserves, as determined by independent consulting engineers. Oil and natural gas liquids reserves and production are converted into equivalent units of natural gas based on relative energy content. In determining the depletion base, the Company includes future costs to be incurred in developing proven reserves and excludes the cost of undeveloped land.

An impairment loss is recognized in net earnings when the carrying amount is not recoverable and the carrying amount exceeds fair value. The carrying amount is not recoverable if the carrying amount exceeds the sum of the undiscounted expected cash flows from proven reserves. If the sum of expected cash flows is less than carrying amount, the impairment loss is limited to the amount by which the carrying amount exceeds the sum of:

- a) The fair value of proved and probable reserves; and
- b) The costs of unproven properties that have been subject to a separate impairment test and contain no probable reserves.

In determining the depletion and depreciation provisions for crude oil and natural gas assets, the Company includes any excess of the net book value of those crude oil and natural gas assets over the fair value.

Proceeds from the sale of oil and gas properties are normally applied as a reduction of the capitalized costs without recognition of a gain or loss, except where such a disposal would alter the depletion and depreciation rates by 20% or more.

Depreciation is provided on other assets at annual rates of 20%, on a declining basis.

Asset retirement obligation

Asset retirement obligations ("ARO") are initially measured at estimated fair market value in the period incurred and subsequently adjusted for accretion of discount and any changes in the underlying cash flows. The ARO cost is capitalized as part of the cost of the related asset and amortized into earnings over time using the unit-of-production method. With time, accretion will increase the carrying value of the obligation. Accretion is expensed.

Joint ventures

The Company's activities are conducted jointly with others. These financial statements reflect the Company's proportionate interest in such activities.

Share based compensation plan

The Company has a stock based compensation plan, which is described in Note 3.

The Company has adopted the fair value method for accounting for stock-based compensation. Using the fair value method, compensation costs of stock-based compensation are estimated and charged to earnings in the period the option is granted, taking into consideration the vesting period of the options.

Flow-through shares

Share capital is reduced during the period by the future tax effect of renouncing the income tax cost to the purchaser of flow-through shares when the renouncement is actually filed with the Canada Customs and Revenue Agency. The tax effect is calculated using the expected rate of tax.

Revenue recognition

Revenue associated with the sale of crude oil, natural gas and natural gas liquids owned by the Company is recognized when title passes from the Company to its customers.

Use of accounting estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. The amounts recorded for depletion, depreciation and amortization of petroleum and natural gas assets and well as the provision for asset retirement obligations are based on estimates. The ceiling test is based on estimates of reserves, production rates, oil and gas prices, future costs and other relevant assumptions. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in the future could be significant

2. PROPERTY, PLANT AND EQUIPMENT

	2005	2004
Petroleum & natural gas properties	\$ 15,479,911	\$ 7,218,783
Accumulated depletion	(2,954,758)	(1,738,265)
	12,525,153	5,480,518
Furniture, fixtures & other assets	109,108	34,370
Accumulated depreciation	(28,504)	(8,354)
	80,604	26,016
	\$ 12,605,757	\$ 5,506,534

At November 30, 2005, costs of \$3,064,168 were excluded from the depletable cost base (2004 – \$294,226). These costs were excluded from the depletable cost base as they represent expenditures on unproven properties as at the period ended November 30, 2005. During the year ended of fiscal 2005, \$360,729 of general and administrative costs relating to exploration and development activities were capitalized as part of property, plant and equipment (2004 – \$Nil). Future development costs of \$247,100 (2004 – \$176,200) were included in the depletable cost base.

The Company applied the ceiling test calculation using the Company's estimate of future prices as at November 30, 2005. This resulted in no ceiling test deficiency for fiscal 2005 (2004 – Nil).

The Company based its estimates on the future natural gas price quotes in CDN\$ for gas at the AECO, adjusted for heat content, and future crude oil price quotes for Edmonton Light, adjusted for quality.

Price Estimates used for Ceiling Test – November 2005

Year	Alberta AECO Average	Edmonton City Gate
2006	\$ 11.00	\$ 78.40
2007	\$ 10.00	\$ 77.50
2008	\$ 8.90	\$ 75.30
2009	\$ 9.20	\$ 74.20
2010	\$ 9.35	71.80

3. SHARE CAPITAL

Authorized

Unlimited number of voting common shares, no stated par value

Unlimited number of first preferred shares

Unlimited number of second preferred shares

Common Shares

	Amount	Shares
Balance, November 30, 2003	\$ 1,081,584	14,291,667
Private placements – 2004	4,300,000	28,166,666
Offering expenses	(309,628)	—
Tax on renouncement of flow-through shares	(100,400)	—
Balance, November 30, 2004	4,971,556	42,458,333
Private placements – 2005	7,000,000	23,441,560
Offering expenses, net of income tax	(393,490)	—
Exercise of warrants	4,625	18,500
Balance, November 30, 2005	\$ 11,582,691	65,918,393

On December 31, 2004, Highview closed a flow-through offering of 6,666,667 shares at a price of \$0.30 per share for gross proceeds of \$2,000,000. Highview has renounced Canadian Exploration Expense in an amount equal to \$0.30 for each flow-through share issued. On April 18, 2005, Highview closed a private placement of 10,714,286 common shares at \$0.28 per share and a further 6,060,607 shares on a flow-through basis at \$0.33 per share for total gross proceeds of \$5,000,000. The number of shares outstanding at November 30, 2005 was 65,918,393 (2004 – 42,458,333). Diluted number of shares outstanding for November 30, 2005 was 65,958,393 (2004 – 42,458,333). Highview will recognize the future tax liability for flow-through shares when the renouncement of the flow-through shares is filed. As at November 30, 2005, the Company had incurred \$3.9 million of eligible flow-through expenditures in fiscal 2005 of a \$4.0 million commitment. The remaining \$0.1 million was expended in December 2005. The full \$4.0 million was renounced at December 31, 2005. The Company issued 2,000,000 warrants on October 29, 2004. Of these warrants, 1,981,500 were outstanding at November 30, 2005. The warrants expired December 1, 2005.

Stock Option Plan

The Company established an employee compensation plan, which was approved by the Shareholders on May 15, 2003. Pursuant to the plan, the Company may grant to employees and directors options to purchase up to 10% of outstanding shares. Options are granted to purchase common shares. Options are exercisable for a maximum period of 5 years. One-third of the options granted vest on the day of grant, one-third after one year and the balance vest after two years. The exercise price for the options is set by the Board of Directors at market, or higher, on the day of the grant.

Stock Options

	2005		2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding, beginning of year	200,000	\$ 0.20	1,100,000	\$ 0.15
Options expired:				
December 2003	—	\$ —	(400,000)	\$ 0.15
May 2004	—	\$ —	(700,000)	\$ 0.15
Options granted:				
August 2004	—	\$ —	200,000	\$ 0.20
January 2005	1,040,000	\$ 0.30	—	\$ —
March 2005	175,000	\$ 0.30	—	\$ —
Outstanding, end of year	1,415,000	\$ 0.28	200,000	\$ 0.20
Exercisable, end of year	538,332	\$ 0.28	66,666	\$ 0.20

In January 2005, the Company granted options to purchase up to 1,040,000 common shares at an exercise price of \$0.30 per share. In March, 2005, the Company granted options to purchase up to 175,000 common shares at an exercise price of \$0.30 per share. These options have been granted to employees, directors and consultants of the Company. The fair value of the options issued at November 30, 2005, has been estimated at \$208,700, using the Black-Scholes option pricing model as follows:

Risk free interest rate (%)	3.36
Volatility (%)	75
Expected life (years)	3
Expected dividends	—

Stock-based compensation of \$167,998 was expensed during the year ended November 30, 2005 (2004 – \$27,942). This is disclosed as a separate classification of shareholders' equity as contributed surplus.

4. BANK LOAN FACILITY

The Company has a \$2,000,000 revolving production loan facility with ATB Financial. Interest is payable monthly for borrowings through direct advances at a rate of 1% above prime. Under this loan facility, letters of credit of up to \$140,000 for terms of up to 1 year are available. The loan is subject to review annually. Repayments of the principal under the loan facility are not required, provided that Highview is compliant with all covenants, representations and warranties. As of November 30, 2005, the outstanding loan balance was \$915,983 inclusive of bank indebtedness of \$65,983 (2004 – Nil).

5. INCOME TAXES

The provision for income taxes in the consolidated statement of income (loss) and deficit varies from the amount that would be computed by applying the expected tax rate to earnings, before income taxes. The expected tax rate used was 37.71% (2004 – 39.69%).

The principal reasons for differences between such "expected" income tax expense and the amount actually recorded are as follows:

Income Taxes

	2005	2004
Computed expected income tax expense (recovery)	\$ (126,565)	\$ (20,928)
Increase (decrease) in income taxes resulting from:		
Federal resource allowance	(67,206)	8,514
Non-deductible royalties	135,230	14,072
Alberta Royalty Tax Credit	(42,516)	(4,066)
Income tax rate change and other	18,294	(25,719)
Share issuance costs	(223,329)	(83,277)
Large corporation tax	20,369	11,230
Recognition of previously unrecognized losses	—	(226)
Actual income tax recovery	\$ (285,723)	\$ (100,400)

	2005	2004
Canadian exploration expense	\$ 899,972	\$ 899,972
Canadian development expense	409,458	292,710
Undepreciated capital cost	1,954,357	1,087,603
Canadian oil and gas property expense	4,757,916	2,931,217
Loss carry-forward (expiry from 2009 to 2014)	565,486	264,309
	\$ 8,587,189	\$ 5,475,811

Future Taxes

	2005	2004
Excess carrying value of assets over associated tax basis	\$ 47,840	\$ 97,908
Future site restoration costs	(120,439)	(94,740)
Share issue costs	(221,744)	(83,277)
Non-capital tax losses	(190,117)	(88,861)
Unrecognized tax asset	—	168,970
Future tax asset	\$ 484,460	\$ —

6. ASSET RETIREMENT OBLIGATION

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the obligation associated with the retirement of oil and gas properties.

Asset Retirement Obligation

Year ended November 30	2005	2004
Asset retirement obligation, beginning of year	\$ 288,152	\$ 62,687
Liabilities incurred	118,942	168,870
Changes in estimated prior year obligations	—	75,757
Asset disposition/well abandonment incurred	(64,742)	(23,343)
Accretion expense	23,962	4,181
Asset retirement obligation, end of year	\$ 366,314	\$ 288,152

The total undiscounted amount of estimated cash flows required to settle the obligation is \$559,192 (2004 – \$366,145), which has been discounted using a credit-adjusted risk free rate of 7% and inflation of 2%. All of these obligations will be incurred between 2006 and 2021, with an average obligation date of 2012.

7. RELATED PARTY TRANSACTIONS

During the past four years, the Company has participated in a joint exploration, development and land acquisition program with Diaz Resources Ltd. ("Diaz"). During the year ended November 30, 2005, \$154,000 (less than 1% of total capital expenditures) was expended through this joint venture and \$395,000 (8% in 2004). Humboldt Capital Corporation ("Humboldt") is a significant shareholder of Diaz. Humboldt also holds 19% of the outstanding common shares of Highview. During 2005, all Humboldt advances were repaid. The Company paid \$59,000 in consulting fees to an officer of the Company in fiscal 2005 (2004 – \$47,000). All of the above transactions were in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. FINANCIAL INSTRUMENTS

a) Fair values of financial assets and liabilities

The Company's financial instruments that are included in the balance sheet are comprised of cash, accounts receivable, accounts payable, accrued liabilities, notes payable, bank indebtedness and bank loans.

The fair value of these financial instruments approximates their carrying values due to their short maturity

b) Credit risk

A substantial portion of the Company's accounts receivable are with partners in the oil and gas industry and are subject to normal industry credit risks.

c) Interest rate risk

The company manages its exposure to interest rate risk through floating rate borrowings. The floating rate debt is subject to interest rate cash flow risk, as the required cash flows to service the debt will fluctuate as a result of changes in market rates.

9. SUBSEQUENT EVENTS

On December 22, 2005, the Company closed a flow-through share issue of 11,555,079 flow-through shares at a price of \$0.19 per share for gross proceeds of \$2,195,465. In addition, the Company also announced the closing of an additional \$1,000,000 offering consisting of 6,250,000 units at a price of \$0.16 per unit. Each unit consists of one common share of the Company and one half of one common share purchase warrant of the Company. Each warrant entitles the holder to purchase a common share at an exercisable price of \$0.19 per share. The warrants expire June 30, 2007. The common shares and flow-through shares are subject to a four month hold period.

CORPORATE Information

HEAD OFFICE

Suite 700, 635 – 8th Ave SW
Calgary, Alberta T2P 3M3
Telephone: 403.261.9978
Fax: 403.261.4072

DIRECTORS

Robert W. Lamond ⁽¹⁾
Calgary, Alberta

John H. Cassels
Calgary, Alberta

Donald K. Clark
Calgary, Alberta

John G.F. McLeod ⁽¹⁾
Okotoks, Alberta

Charles A. Teare ⁽¹⁾
Calgary, Alberta

⁽¹⁾ Member of Audit Committee

OFFICERS

Robert W. Lamond
Chairman

John H. Cassels
President and CEO

Philip A. Rodd
Vice President, Exploration

Norman S. Johnson
Chief Financial Officer

SUBSIDIARY

Royal Crusader Energy Corp.

AUDITORS

PricewaterhouseCoopers LLP
Calgary, Alberta

LEGAL COUNSEL

Burnet, Duckworth & Palmer LLP
Calgary, Alberta

INDEPENDENT RESERVE EVALUATORS

AJM Petroleum Consultants
Calgary, Alberta

BANKERS

ATB Financial
Calgary, Alberta

REGISTRAR & TRANSFER AGENT

Computershare Trust
Company of Canada
Calgary, Alberta

STOCK EXCHANGE LISTING

TSX Venture Exchange
Trading Symbol: **HVW**

GLOSSARY

Bbl	barrel
Bbl/d	barrels per day
Bcf	billion cubic feet of natural gas
BOE	barrel of oil equivalent (@ 6 Mcf = 1 BOE)
BOE/d	barrel of oil equivalent per day
Btu	British thermal unit
GJ	gigajoule
MBOE	thousands of barrels of oil equivalent
MBbl	thousands of barrels
MMBtu	million British thermal units
MStb	thousand standard barrels
Mcf	thousand cubic feet of natural gas
MMcf	million cubic feet of natural gas
MMcf/d	million cubic feet of natural gas per day
NGL	natural gas liquids
AECO	spot price at Empress, Alberta
ARTC	Alberta Royalty Tax Credit
NYMEX	New York Mercantile Exchange
WTI	West Texas Intermediate Crude Oil



Suite 700, 635 – 8th Ave SW,
Calgary, Alberta T2P 3M3
T 403.261.9978 F 403.261.4072
www.highviewresources.com